Service Date: August 29, 1986

# DEPARTMENT OF PUBLIC SERVICE REGULATION BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MONTANA

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IN THE MATTER of the Pass Through ) UTILITY DIVISION of Fees Levied on Regulated Companies ) for Funding the Department of Public ) DOCKET NO. 86.8.41 ORDER NO. 5218

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#### INTERIM ORDER

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## BACKGROUND

1. The third special session of the 49<sup>th</sup> Legislature enacted House Bill 45 (hereinafter HB 45) in June, 1986. This law provides for funding of the Department of Public Service Regulation by a fee on all regulated companies except motor carriers. HB 45, subsection 4(4) states:

All fees paid by a regulated company pursuant to this section must be immediately recoverable by the regulated company in its rates and charges. Within 30 days after the issuance by the department of revenue of notices required by subsection (3), [Section 4, subsection 3] the public service commission shall by separate order authorize each regulated company to fully recover in its rates and charges, on an annual basis, the fees levied by this act.

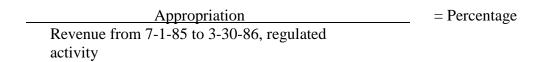
This interim order is being issued pursuant to this statute.

### **FINDINGS OF FACT**

### REVENUE REQUIREMENT

2. HB 45, subsections 4 (1) and 4 (2) direct the Department of Revenue to

compute a percentage to be applied to gross revenues from regulated activities during fiscal year 1987. The percentage is the ratio of the Legislature's appropriation for the Department of Public Service Regulation to the total gross operating revenue generated from all regulated activities within this State by regulated companies during the first three quarters of fiscal year 1986:



For regulated companies owned by municipalities, the Legislature limited the percentage to .06 of 1%. On August 12, 1986, as required by HB 45, subsection 4 (3), the Department of Revenue gave notice by mail to each regulated company that the percentage to be applied to revenue to determine the amount of the fee to be paid in fiscal year 1987 is .3%, or .003.

- 3. HB 45, subsection 2 (2), requires each regulated company to pay the amount determined by multiplying a calendar quarter's total gross operating revenue from all regulated Montana activities by the percentage determined by the Department of Revenue. This fee must be paid within 90 days of the close of each calendar quarter. For fiscal year 1987, the fee must be paid by three quarterly installments pursuant to HB 45, subsection 4 (2). On or before December 31, 1986, all regulated companies must pay this fee for the calendar quarter ending September 30, 1986.
- 4. The Public Service Commission is required by law to allow recovery of this fee by the regulated company in its rates and charges on an annual basis. Because the Legislature has required that these charges be allocated on an annual (12 month) basis, the percentage calculated by the Department of Revenue for non-municipal utilities for fiscal year 1987 -- based on nine months -- must be annualized before being included in rates.
- 5. It is the Commission's intention to permit all affected regulated companies to increase their revenue requirement as of August 29, 1986, to reflect the annualized revenue impact of House Bill 45. This can be achieved by a rate increase equal to the Department of Revenue's calculated percentage adjusted for 12 months. The Department of Revenue's percentage based on nine months revenue is .3%. Annualized to reflect 12 months, that figure

- 6. All regulated companies which pay the fee based on .3% may file tariffs reflecting a .225% rate increase. All municipally owned regulated utilities may increase rates by .06%. To provide flexibility, the Commission believes these increases should be permissive, not mandatory. Regulated companies may choose not to recover the fee in cases where the amount to be recovered would not justify submitting new tariffs. A regulated company may choose to defer implementing tariffs until a later date (e.g., to coincide with other tariff changes). It should be noted, however, that the revenue requirement may not be accumulated.
- 7. This approved revenue requirement will be effective for one year from the date of this order. The Commission believes that this 12 month effective period will insure that regulated companies will recover all fees paid, as required by House Bill 45.

#### RATE DESIGN

8. It is the Commission's intention that all regulated services of a regulated company absorb the rate increase proportionately to that service's contribution to the total gross operating revenue generated by the regulated activities within this state. As limited exceptions to this general approach, however the Commission believes that ceilings in "flexible band" tariffs need not be exceeded and that special market-based rates need not be increased.

#### CONCLUSIONS OF LAW

- 1. Pursuant to 69-3-102 and 69-14-111, MCA, the Montana Public Service Commission has jurisdiction over regulated companies as defined by HB 45, subsection 1(2).
- 2. The Public Service Commission is required by HB 45, subsection 4(4), to allow immediate recovery of the regulated utility fee by each affected company in its rates and charges on an annual basis.

- 3. The Commission may, in its discretion, temporarily approve rate changes pending an opportunity for hearing or final decision pursuant to Title 69, Chapter 3, MCA.
- 4. The increased revenue requirement approved herein is a reasonable means of complying with HB 45, subsection 4 (4).

## **ORDER**

Regulated companies as defined in House Bill 45, Subsection 1(2), are hereby authorized to file tariffs reflecting increased rates and charges as of August 29, 1986, consistent with the Findings of Fact contained in this Order. This authorization is permissive, not mandatory, and effective dates may, at the companies' discretion, be after August 29, 1986.

Tariffs must be filed within fifteen (15) days of their proposed effective date.

Done and Dated this 28th day of August, 1986 by a vote of 4 - 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

CLYDE JARVIS, Chairman

JOHN B. DRISCOLL, Commissioner

HOWARD L. ELLIS, Commissioner

TOM MONAHAN, Commissioner

ATTEST:
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Ann Purcell Acting Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision.

A motion to reconsider must be filed within ten (10) days. See 38.2.4806,

ARM.